



Agriculture and  
Agri-Food Canada

Agriculture et  
Agroalimentaire Canada

## **AGRICULTURE AND AGRI-FOOD CANADA**

**Consolidated Future-Oriented Statement of Operations (Unaudited)  
For the years ending March 31, 2014 and 2015**

## AGRICULTURE AND AGRI-FOOD CANADA

Consolidated Future-Oriented Statement of Operations (Unaudited)  
For the Year Ending March 31

	Estimated Results 2013-14	Planned Results 2014-15
	<i>(in thousands of dollars)</i>	
<b>Expenses</b>		
Business Risk Management	\$ 1,339,454	\$ 1,290,615
Science, Innovation, Adoption and Sustainability	-	487,418
Internal Services	407,280	270,079
Market Access, Negotiations, Sector Competitiveness, and Assurance Systems	-	208,517
Industry Capacity	-	91,925
Canadian Pari-Mutuel Agency	8,212	8,491
Farm Products Council of Canada	2,274	2,436
Funds not allocated to the 2014-15 Program Alignment Architecture (Note 5)	752,064	-
<b>Total expenses</b>	<b>2,509,284</b>	<b>2,359,481</b>
<b>Revenues</b>		
Crop Re-Insurance Fund	87,585	87,585
Sale of goods and services	77,280	74,850
Interest	13,670	13,240
Joint project and cost sharing agreements	5,800	5,618
Gain on disposal of assets	1,495	1,495
Revenues earned on behalf of Government	(126,342)	(123,540)
<b>Total revenues</b>	<b>59,488</b>	<b>59,248</b>
<b>Net cost of operations</b>	<b>\$ 2,449,796</b>	<b>\$ 2,300,233</b>

The accompanying notes form an integral part of this financial statement.

## **AGRICULTURE AND AGRI-FOOD CANADA**

Notes to the Consolidated Future-Oriented Statement of Operations (Unaudited)  
For the Year Ended March 31

### **1. Methodology and Significant Assumptions**

The consolidated future-oriented statement of operations has been prepared on the basis of the government priorities and departmental plans as described in the Report on Plans and Priorities.

The information in the estimated results for fiscal year 2013-14 is based on actual results as at November 30, 2013 and on forecasts for the remainder of the fiscal year. Forecasts have been made for the planned results for the 2014-15 fiscal year.

The main assumptions underlying the forecasts are as follows:

- The Department's activities will remain substantially the same as for the previous year.
- Expenses and revenues, including the determination of amounts internal and external to the government, are based on historical experience. The general historical pattern is expected to continue.
- Allowances for uncollectibility are based on historical experience. The general historical pattern is expected to continue.

These assumptions are adopted as at January 17, 2014.

### **2. Variations and Changes to the Forecast Financial Information**

While every attempt has been made to forecast final results for the remainder of 2013-14 and for 2014-15, actual results achieved for both years are likely to vary from the forecast information presented, and this variation could be material.

In preparing this consolidated future-oriented statement of operations, Agriculture and Agri-Food Canada has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Factors that could lead to material differences between the consolidated future-oriented statement of operations and the historical statement of operations include:

- The timing and amount of acquisitions and disposals of property, plant and equipment may affect gains/losses and amortization expense.
- Implementation of new collective agreements.

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- Economic conditions may affect both the amount of revenue earned and the collectability of loan receivables.
- Interest rates in effect at the time of issue will affect the net present value of non-interest bearing loans.
- Further changes to the operating budget through additional new initiatives or technical adjustments later in the year.

Once the Report on Plans and Priorities is presented, Agriculture and Agri-Food Canada will not be updating the forecasts for any changes in financial resources made in ensuing supplementary estimates. Variances will be explained in the Departmental Performance Report.

### **3. Summary of Significant Accounting Policies**

The consolidated future-oriented statement of operations has been prepared using Government's accounting policies that came into effect for the 2013-14 fiscal year which are based on Canadian public sector accounting standards. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian public sector accounting standards.

Significant accounting policies are as follows:

#### ***a) Consolidation***

This consolidated future-oriented statement of operations includes the accounts of the sub-entities that the deputy head (DH) is accountable for. The accounts of these sub-entities have been consolidated with those of the Department and all inter-organizational balances and transactions have been eliminated. The accounting entity comprises of the Department of Agriculture and Agri-Food, the Farm Products Council of Canada, Canada Agricultural Review Tribunal and the Canadian Pari-Mutuel Agency. The consolidated future-oriented statement of operations do not include the accounts of the Canadian Food Inspection Agency, the Canadian Wheat Board, the Canadian Grain Commission, the Canadian Dairy Commission and Farm Credit Canada because they are not under the control of Agriculture and Agri-Food Canada and therefore, are not consolidated.

#### ***b) Expenses***

Expenses are recorded on an accrual basis. Expenses for the Department operations are recorded when goods are received or services are rendered including services provided without charges for accommodation, employer's contributions to health and dental insurance plans, legal services and worker's compensation which are recorded as expenses at their estimated cost. Vacation pay and compensatory leave as well as severance benefits are accrued and expenses are recorded as the benefits are earned by employees under their respective terms of employment.

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Transfer payments are recorded as expenses when authorization for the payment exists and the recipient has met all the eligibility criteria and entitlements established for the transfer payment program. In situations where payments do not form part of an existing program, transfer payments are recorded as expenses when the Government announces a decision to make a non-recurring transfer, provided the enabling legislation or authorization for payment receives parliamentary approval prior to the completion of the financial statement. Transfer payments that become repayable as a result of conditions specified in the contribution agreement that have come into being are recorded as a reduction to transfer payment expense and as a receivable.

Expenses also include provisions to reflect changes in the value of assets, including provisions for bad debt on accounts receivable, provision for valuation on loans, as well as provisions related to liabilities, including contingent liabilities and environmental liabilities to the extent the future event is likely to occur and a reasonable estimate can be made.

Expenses also include amortization of tangible capital assets which are capitalized at their acquisition cost. Amortization of tangible capital assets is done on a straight-line basis over the estimated useful life of the asset.

### ***c) Revenues***

Revenues from regulatory fees are recognized in the accounts based on the services provided in the year.

Funds received from external parties for specified purposes are recorded upon receipt as deferred revenue. These revenues are recognized in the period in which the related expenses are incurred.

Funds that have been received are recorded as deferred revenue, provided the Department has an obligation to other parties for the provision of goods, services or the use of assets in the future.

Other revenues are accounted for in the period in which the underlying transaction or event that gave rise to the revenue takes place.

Revenues that are non-respendable are not available to discharge the Department's liabilities. While the Deputy Head is expected to maintain accounting control, he or she has no authority regarding the disposition of non-respendable revenues. As a result, non-respendable revenues are considered to be earned on behalf of the Government of Canada and are therefore presented in reduction of the entity's gross revenues.



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### 4. Parliamentary Authorities

The Department is financed by the Government of Canada through parliamentary authorities. Financial reporting of authorities provided to the Department do not parallel financial reporting according to Canadian public sector accounting standards since authorities are primarily based on cash flow requirements. Items recognized in the consolidated future-oriented statement of operations in one year may be funded through parliamentary authorities in prior, current, or future years. Accordingly, the Department has different net cost of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

#### a) *Reconciliation of net cost of operations to requested authorities:*

	Estimated 2013-14	Planned 2014-15
	(in thousands of dollars)	
<b>Net cost of operations</b>	\$ 2,449,796	\$ 2,300,233
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(41,538)	(41,538)
Gain (Loss) on disposal of tangible capital assets	1,198	1,285
Non cash changes of tangible capital assets	185	637
Services provided without charge by other government departments	(64,349)	(62,918)
Increase (decrease) in prepaid and inventory	(535)	(1,279)
Decrease (increase) in vacation pay and compensatory leave	385	-
Decrease (increase) in accrued liabilities	17,850	2,392
Decrease (increase) in employee future benefits	47,486	11,840
Decrease (increase) in allowances for bad debt expenses	(9,414)	(9,221)
Refund and adjustment of previous years' expenditures	10,443	13,143
Respendable revenue	4,267	4,139
Other	(10,580)	(15,042)
Total items affecting net cost of operations but not affecting authorities	(44,602)	(96,562)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisitions of tangible capital assets	34,625	27,466
Proceeds from disposal of tangible capital assets	(1,679)	(1,679)
Increase (decrease) in loan receivables	13,216	23,700
Increase in inventory	43	39
Total items not affecting net cost of operations but affecting authorities	46,205	49,526
<b>Requested authorities forecast to be used</b>	<b>\$ 2,451,399</b>	<b>\$ 2,253,197</b>

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### b) Authorities requested

	Estimated 2013-14	Planned 2014-15
	<i>(in thousands of dollars)</i>	
<b>Authorities requested:</b>		
Vote 1 - Operating expenditures	\$ 718,188	\$ 544,950
Vote 5 - Capital expenditures	34,849	28,272
Vote 10 - Transfer payments	447,925	365,352
Statutory amounts	<u>1,347,771</u>	<u>1,314,623</u>
	2,548,733	2,253,197
<b>Less:</b>		
Estimated lapses and other adjustments	<u>97,334</u>	<u>-</u>
<b>Requested authorities forecast to be used</b>	<b><u>\$ 2,451,399</u></b>	<b><u>\$ 2,253,197</u></b>

## 5. Program Alignment Architecture

Certain 2013-14 estimated results have not been presented under the Department's 2014-15 Program Alignment Architecture due to significant changes. Below are the unallocated estimated results based on the Department's 2013-14 Program Alignment Architecture:

	Estimated Results 2013-14 <i>(in thousands of dollars)</i>
Science, Innovation and Adoption	\$ 318,596
Trade and Market Development	163,384
Food Safety and Biosecurity Risk Management Systems	91,526
On-Farm Action	74,330
Agri-Business Development	43,826
Environmental Knowledge, Technology, Information and Measurement	40,286
Regulatory Efficiency Facilitation	15,791
Rural and Co-operatives Development	<u>4,325</u>
<b>Total funds not allocated to the 2014-15 Program Alignment Architecture</b>	<b><u>752,064</u></b>